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SUBJECT: UAE TO ALLOW FAMILY-OWNED BUSINESSES TO CONVERT INTO PUBLIC SHAREHOLDING COMPANIES

11. (U) Summary: The UAE Federal National Council (FNC) has approved an amendment to the existing Federal Companies Law, allowing family-owned businesses to convert into public shareholding companies by listing a minimum 30 percent stake on the UAE stock markets. In addition, the UAE is considering a totally revised companies law, which is not expected to be issued before 2008. End Summary.

12. (U) On April 10, 2007, the UAE Federal National Council (FNC) approved an amendment to the UAE Federal Companies Law, allowing family-owned businesses to become public shareholding companies by listing a minimum 30 percent stake in the UAE stock markets, allowing founders to hold 70 percent. This amendment came as an exception to the general rule under Article 78 of the Federal Companies Law, which stipulates the maximum stake that can be held by the founders of public companies is 45 percent.

13. (U) UAE Minister of Economy, Sheikha Lubna Al Qasimi, who attended the FNC session, told the FNC's members that the amendment would balance owners' and shareholders' interests and enhance performance of family-owned businesses by providing new financing opportunities.

14. (U) Sheikha Lubna told FNC members that all UAE chambers of commerce had agreed with the ownership percentage, except the Dubai Chamber of Commerce, which sought a 75 percent stake for founders instead of 70 percent.

15. (SBU) Ayman Heikal, Legal Advisor at the UAE Ministry of Economy, told Econ Assistant that the new decision had not entered into effect yet. He said the percentage of foreign ownership in the 30 percent stake, will be decided by each family-owned company listing its shares.

16. (SBU) Heikal said that the new UAE Federal Companies Law, which is still under study, might be implemented by 2008. He stated that an international company had prepared a draft of the new law, but that version did not reflect UAE economic conditions. The UAE was, therefore, revising the law once again.

17. (SBU) Heikal said the new law may allow the foreign ownership percentage in companies established in the UAE to exceed the current 49 percent cap. He stated the anticipated provision would apply to selected sectors, which would be decided by the UAE Cabinet. He said the new law may allow foreign companies to open branch offices in the UAE without national sponsors. Under the UAE's existing legislations, foreign companies are not allowed to open branch offices in the UAE without national sponsors.

18. (SBU) Comment: The UAE Ministry of Economy and the UAE Federal Stock and Commodity Authority have been encouraging more companies to list their shares on the UAE's two new organized stock markets, Abu Dhabi Stock Securities Market (ADSM) and Dubai Financial Market

(DFM). This change should encourage more family-held companies to list their shares. Founders of family-owned businesses, holding 70 percent shares, will maintain control over their companies. This provision addresses a long-standing concern for the numerous family businesses in the UAE. End Comment.
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